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Naili Holdings Sdn Bhd v Sabella Holdings Sdn Bhd

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HIGH COURT (KUALA LUMPUR) — SUIT NO WA-22IP-84-12
OF 2020
YUSRIN FAIDZ JC
7 APRIL 2025

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Intellectual Property — Patents — Industrial designs — Registered designs — Infringement of registered design — Assessment of damages — Whether actual loss proved — Notion of fair loyalty — Whether fair estimation of compensation grounded in balanced synthesis of equitable principles — Whether infringement of design done deliberately — Whether there was deliberate exploitation of intellectual property for commercial gain — Whether aggravated and exemplary damages should be awarded

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The plaintiff was a company engaged in the art and business of designing garments, particularly batik-style clothing. Recognising the value of its creation, it took steps to secure legal protection for its design. The plaintiff proceeded to commercialise this design under the name ‘Coral Orchid’, launching its sales in February 2020. Some months later, in September 2020, the defendant, a well-established garment manufacturer, introduced three clothing products, eerily similar to the plaintiff’s registered design. These garments, labelled as Cherry Floral, Navy Floral, and Yellow Floral, found their way into the marketplace, bearing the same artistic elements for which the plaintiff had sought protection. The defendant did not stop at mere production; it actively advertised, marketed, and sold these garments across multiple platforms, including online stores and social media. The plaintiff, upon discovering this, turned to the courts for redress. A full trial ensued wherein the court held that the defendant had infringed the plaintiff’s registered industrial design, thereby violating its exclusive rights. The plaintiff subsequently filed for assessment of damages in accordance with a notice issued under O 37 r 1 of the Rules of Court 2012, wherein they sought the sum of RM1,908,000 which included general damages as well as aggravated and exemplary damages. At its core, the case raised a fundamental question, namely, to what extent should a party that had invested time and effort in creating a unique design be compensated when another unjustly benefitted from its work. The court was also faced with determining three principal issues, viz: (a) whether the plaintiff proved actual loss of profit; (b) how should compensation be calculated; and (c) should aggravated and exemplary damages be awarded.

Held:

- (1) The plaintiff went so far as to estimate that the defendant had sold 24,000 pieces, which, if sold at full price, would have generated RM3,816,000 in revenue to support its assertion that had it not been for the defendant's infringement, the plaintiff would have enjoyed greater sales and market share. However, the evidence produced was unconvincing as it primarily relied on publicly accessible online communications, which could well have been an attempt to exaggerate sales figures as part of a marketing strategy rather than a true reflection of actual transactions. The plaintiff's reliance on the defendant's recommended sale price, social media account, and promotional video was, at best, tenuous and wholly insufficient in the absence of concrete sales figures. The court must adjudicate on the basis of evidence, not conjecture (see paras 25–26). A B C
- (2) The plaintiff had every opportunity to invoke the discovery process to obtain documentary proof of the defendant's actual sales and profit margins but elected not to do so. This omission was a significant lapse. Where evidence was available but not pursued, the court could not be expected to fill the evidentiary void with speculation. Conversely, the defendant had presented sales figures verified by its appointed chartered accountant, indicating that only 6,067 units of the infringing designs were sold, generating a total revenue of RM395,291. In the absence of any credible evidence to the contrary, these figures must be accepted as conclusive. The burden was on the plaintiff to challenge or disprove this evidence through proper means, yet no such effort was made. Accordingly, the court had no basis to disregard the defendant's professionally verified figures (see paras 27–28). D E F
- (3) Since actual lost profits had not been established, the law provides another route, ie, the notion of a fair royalty. Consequently, the court must determine compensation through the prism of reasonableness: What sum would the parties have fairly bargained for, *ex ante*, to legitimise the defendant's unauthorised exploitation of the design? This approach ensured restitution aligned with commercial realism, eschewing both speculative windfalls and undue leniency (see paras 32–33). G H
- (4) The figure of 15% of the defendant's revenue was as an appropriate measure of fair royalty. It was a fair estimation of compensation grounded in a balanced synthesis of equitable principles and pragmatic commercial reasoning. Given the defendant's documented revenue of RM395,291 from the sale of 6,067 infringing garments, the 15% benchmark aligned with the jurisprudential mandate to approximate a hypothetical licensing agreement that fairly balanced the interests of both parties. This percentage neither penalised the defendant excessively nor trivialised the plaintiff's intellectual property rights, reflecting a judicious middle I

- A ground that acknowledged the inherent value of the design while respecting the defendant's actual commercial gains (see para 34).
- (5) The rate accounts for industry norms, where royalty percentages for design or patent licensing often range between 10% and 20%, depending on factors such as market demand, profit margins, and the uniqueness of the protected work. By anchoring the calculation to the defendant's actual revenue, rather than the plaintiff's speculative projections, the court ensured proportionality and transparency. The resultant sum of RM59,293.65 (15% of RM395,291) thus, served as a rational and restorative measure, compensating the plaintiff for the unauthorised exploitation of their design while adhering to the evidentiary constraints of the case (see para 35).
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- (6) The defendant not only infringed the plaintiff's registered industrial design but did so deliberately, persistently, and without remorse. Despite being aware of the plaintiff's design rights, the defendant proceeded to market, advertise, and profit from the infringing product on a large scale, leveraging social media, e-commerce platforms, and physical advertising to maximise sales. Hence, the plaintiff herein was entitled to aggravated damages to reflect the added injury caused by malicious or high-handed behaviour. An award of RM50,000 was commensurate with the severity of the injury suffered (see paras 40–41).
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- (7) The defendant's actions were neither inadvertent nor a matter of oversight. Rather, they constituted a calculated and deliberate exploitation of the plaintiff's intellectual property for commercial gain. Moreover, the defendant's counterclaim, in which it sought to have the plaintiff's registered designs expunged, further underscored its deliberate course of action. Rather than merely defending against the plaintiff's claims, the defendant actively sought to invalidate the plaintiff's intellectual property rights, reinforcing the view that its actions were not only intentional but also aimed at eliminating any obstacle to its commercial objectives (see para 50).
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- (8) The principle must be upheld that those who seek to profit from another's innovation could not do so with impunity. Intellectual property rights must not be rendered meaningless by allowing infringers to merely absorb the consequences as a negligible expense. To prevent the systemic exploitation of intellectual property and to ensure that infringement was not simply treated as a 'cost of doing business', the court must intervene decisively. To reflect the egregious nature of the defendant's conduct and to deter future infringements of this kind, an award of RM100,000 in exemplary damages was imposed (see para 51).
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[Bahasa Malaysia summary]

Plaintif adalah sebuah syarikat yang terlibat dalam bidang perniagaan seni pakaian, terutamanya pakaian batik. Menyedari kewujudan nilai hak ciptanya, mereka mendapatkan perlindungan undang-undang untuk karya tersebut. Plaintif mengkomersialkan reka bentuk di bawah nama Coral Orchid dan melancarkan jualan pada Februari 2020. Beberapa bulan kemudian, pada September 2020, defendan yang merupakan pengeluar pakaian telah memperkenalkan tiga produk pakaian, yang sangat serupa dengan reka bentuk berdaftar plaintif. Pakaian yang dilabelkan sebagai Cherry Floral, Navy Floral, dan Yellow Floral telah berjaya dipasarkan dan mempunyai unsur artistik yang sama dengan plaintif yang reka bentuknya telah mempunyai perlindungan hak cipta. Defendan tidak berhenti pada pengeluaran semata-mata; namun, secara aktif mengiklankan, memasarkan dan menjual pakaian tersebut di pelbagai platform, termasuk kedai dalam talian dan media sosial. Plaintif apabila mengetahui perkara ini, memfailkan kepada mahkamah untuk tuntutan ganti rugi. Perbicaraan penuh telah dijalankan di mana mahkamah memutuskan bahawa defendan telah melanggar reka bentuk berdaftar plaintif dan melanggar hak eksklusifnya. Plaintif kemudiannya memfailkan taksiran ganti rugi menurut notis yang dikeluarkan di bawah A 37 k 1 Kaedah-Kaedah Mahkamah 2012, di mana mereka menuntut ganti rugi sejumlah RM1,908,000 termasuk ganti rugi am, teruk dan teladan. Pada asasnya, persoalan di dalam kes ini ialah sejauh mana pihak yang telah meluangkan masa dan usaha dalam mencipta reka bentuk yang unik harus diberi pampasan apabila pihak lain mendapat manfaat secara tidak adil daripada hasilnya. Mahkamah juga menentukan tiga isu utama, iaitu: (a) sama ada plaintif berjaya membuktikan kehilangan keuntungan sebenar; (b) bagaimana pampasan perlu dikira; dan (c) sama ada ganti rugi teruk dan teladan perlu diberikan.

Diputuskan:

- (1) Plaintif menganggarkan bahawa defendan telah menjual 24,000 helai pakaian yang sekiranya dijual pada harga penuh, menjana pendapatan sebanyak RM3,816,000 untuk menyokong tuntutan bahawa defendan, plaintif akan memperoleh jualan dan bahagian pasaran yang lebih besar. Walau bagaimanapun, keterangan yang dikemukakan tidak meyakinkan kerana ianya bergantung pada komunikasi dalam talian yang boleh diakses secara umum, yang mungkin merupakan percubaan untuk membesar-besarkan angka jualan sebagai sebahagian daripada strategi pemasaran dan bukannya hasil sebenar transaksi sebenar. Pergantungan plaintif pada harga jualan defendan, akaun media sosial dan video promosi, lemah dan tidak mencukupi sekiranya tiada angka jualan yang tepat. Mahkamah haruslah mengadili berdasarkan keterangan, bukannya anggapan (lihat perenggan 25–26).

- A (2) Plaintiff mempunyai setiap peluang untuk membuat penemuan ('discovery') untuk mendapatkan keterangan dokumentari tentang jualan sebenar dan margin keuntungan defendan tetapi memilih untuk tidak berbuat demikian. Peninggalan ini adalah kesilapan yang ketara. Apabila terdapat keterangan tetapi tidak diteruskan, mahkamah tidak boleh diharapkan untuk mengisi kekosongan keterangan dengan membuat anggapan. Sebaliknya, defendan telah mengemukakan angka jualan yang disahkan oleh akauntan bertaualiah yang dilantiknya, menunjukkan bahawa hanya 6,067 unit reka bentuk yang diambil telah dijual yang menjana jumlah pendapatan sebanyak RM395,291. Sekiranya tiada sebarang keterangan kukuh bertentangan, angka-angka ini mesti diterima sebagai konklusif. Beban pembuktian terletak pada plaintiff untuk mencabar atau menyangkal keterangan ini melalui cara yang betul, namun tiada usaha sedemikian dibuat. Oleh itu, mahkamah tidak mempunyai asas untuk mengabaikan angka defendan yang disahkan secara profesional (lihat perenggan 27–28).
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- E (3) Oleh kerana kehilangan keuntungan sebenar tidak dibuktikan, undang-undang mempunyai kaedah lain, iaitu, anggapan royalti yang adil. Oleh itu, mahkamah haruslah menentukan pampasan secara munasabah: Berapakah jumlah yang akan ditawarkan oleh pihak-pihak secara adil, *ex ante*, untuk membenarkan eksploitasi reka bentuk yang tidak dibenarkan oleh defendan? Pendekatan ini memastikan restitusi sejajar dengan pendekatan komersial, mengelakkan kedua-dua keuntungan luar biasa spekulatif dan kelonggaran ('leniency') yang tidak wajar (lihat perenggan 32–33).
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- G (4) Angka 15% daripada hasil defendan adalah sebagai ukuran royalti yang adil yang sesuai. Ianya merupakan anggaran pampasan yang adil berdasarkan keseimbangan prinsip ekuiti dan alasan komersial yang pragmatik. Memandangkan hasil jualan defendan berdasarkan keterangan adalah sebanyak RM395,291 daripada penjualan 6,067 pakaian yang dilanggar hakciptanya, penanda aras 15% sejajar menurut undang-undang untuk menganggarkan andaian perjanjian pelesenan yang mengimbangi kepentingan kedua-dua pihak. Peratusan ini tidak menghukum defendan secara berlebihan atau meremehkan hak harta intelek plaintiff. Namun, ianya merupakan jalan tengah yang sesuai untuk menghargai kewujudan nilai reka bentuk sambil menggunakan keuntungan komersial sebenar defendan (lihat perenggan 34).
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- I (5) Kadar ini selaras dengan amalan biasa perniagaan, di mana peratusan royalti untuk reka bentuk atau pelesenan paten kebiasaannya berkisar antara 10% dan 20%, bergantung pada faktor seperti permintaan pasaran, margin keuntungan dan keunikan hak cipta yang dilindungi. Dengan meletakkan pengiraan kepada hasil sebenar defendan dan bukannya unjuran spekulatif plaintiff, mahkamah dapat memastikan

perkadaran dan ketelusannya. Oleh itu, jumlah sebanyak RM59,293.65 (15% daripada RM395,291) adalah rasional dan merupakan satu restitusi, memberi pampasan kepada plaintif atas eksploitasi reka bentuk mereka yang tidak dibenarkan sambil membantu kekangan pembuktian kes (lihat perenggan 35).

- (6) Defendan bukan sahaja melanggar reka bentuk berdaftar plaintif tetapi melakukannya dengan sengaja, berterusan dan tanpa penyesalan. Walaupun menyedari terdapat hak reka bentuk plaintif, defendan meneruskan untuk memasarkan, mengiklankan dan mendapat keuntungan daripada produk tersebut secara besar-besaran, memanfaatkan media sosial, platform e-dagang dan pengiklanan fizikal untuk memaksimumkan jualan. Oleh itu, plaintif di sini berhak mendapat ganti rugi yang lebih teruk untuk mencerminkan kerugian tambahan yang disebabkan oleh tingkah laku berniat jahat atau tinggi. Ganti rugi sebanyak RM50,000 adalah setimpal dengan keterukan kerugian yang dialami (lihat perenggan 40–41).
- (7) Tindakan-tindakan defendan bukanlah tidak disengajakan atau terlepas pandang. Sebaliknya, mereka mengeksploitasi harta intelek plaintif dan untuk keuntungan komersial. Lebih-lebih lagi, terdapat usaha untuk menghapuskan reka bentuk berdaftar plaintif melalui tuntutan balas defendan, membuktikan lagi tindakan mereka yang disengajakan. Daripada hanya mempertahankan tuntutan plaintif, defendan secara aktif berusaha untuk membatalkan hak harta intelek plaintif, mengukuhkan pandangan bahawa tindakannya bukan sahaja disengajakan tetapi juga bertujuan untuk menghapuskan sebarang halangan kepada tujuan komersialnya (lihat perenggan 50).
- (8) Prinsip harus ditegakkan bahawa mereka yang berusaha untuk mengaut keuntungan daripada hak cipta orang lain tidak boleh berbuat demikian tanpa sebarang hukuman. Hak harta intelek tidak boleh disia-siakan dengan membuatkan pelaku pelanggaran menerima akibatnya tanpa menganggapnya sebagai beban besar. Untuk mengelakkan eksploitasi harta intelek secara berterusan dan untuk memastikan bahawa pelanggaran tidak hanya dianggap sebagai 'kos menjalankan perniagaan', mahkamah haruslah campur tangan dengan tegas. Untuk mencerminkan tindakan buruk defendan dan menghalang pelanggaran seperti ini pada masa hadapan, ganti rugi sebanyak RM100,000 diberikan (lihat perenggan 51).]

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Cases referred to

Collins Stewart Limited and another v The Financial Times Limited [2005] EWHC 262 (QB), QBD (refd)
Dormeuil Frères SA v Feraglow Ltd [1990] RPC 449, Ch D (refd)

- A** *Eaton Mansions (Westminster) Ltd v Stinger Compania de Inversion SA* [2013] EWCA Civ 1308, CA (refd)
General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd [1975] WLR 819, HL (folld)
- B** *Guangdong Foodstuffs Import & Export (Group) Corp v Tung Fook Chinese Wine* (1982) Co Ltd & Anor [2000] 2 HKC 388 (refd)
Leather Cloth Co v Hirschfield (1865) LR 1 Eq 299 (refd)
Messenger Newspapers Group Ltd v National Graphical Association [1984] IRLR 397, QBD (folld)
- C** *Naili Holdings Sdn Bhd v Sabella Holdings Sdn Bhd* [2025] MLJU 301, HC (refd)
Pneumatic Tyre Co Ltd v Puncture Proof Pneumatic Tyre Co Ltd (1899) 16 RPC 209, CA (refd)
Prince Manufacturing Inc and another v ABAC Corporation Australia Pty Ltd and another (1984) 57 ALR 159; [1984] FCA 356, FC (refd)
- D** *Rookes v Barnard* [1964] 1 All ER 367, HL (folld)
Sambaga Valli a/p KR Ponnusamy v Datuk Bandar Kuala Lumpur & Ors and another appeal [2018] 1 MLJ 784, CA (refd)
Spalding (AG) & Bros v AW Gamage Ltd and Benetfink & Co Ltd [1915] 32 RPC 273, HL (refd)
- E** *Taiping Poly (M) Sdn Bhd v Wong Fook Toh & Ors* [2011] MLJU 1523; [2011] 3 CLJ 837, FC (refd)
The United Horse-Shoe and Nail Co Ltd v Stewart (1888) 5 RPC 260, HL (refd)
Wembley Gypsum Products Sdn Bhd v MST Industrial Systems Sdn Bhd [2007] 7 MLJ 193; [2007] 2 MLRA 274, CA (refd)
- F**

Legislation referred to

Industrial Designs Act 1996 s 35(1), (3)
Rules of Court 2012 O 37 r 1

- G** *Haris bin Md Nor (Adnan Sharida & Assoc) for the plaintiff.*
Azmer bin Md Saad (with Nur Zalikha Noor Kashfi) (Lainah Yaacob & Zulkepli) for the defendant.

H Yusrin Faizd JC:

INTRODUCTION

- I** [1] This judgment concerns the assessment of damages in encl 64, following the court's decision in favor of the plaintiff in an industrial design infringement claim. At its core, the case raises a fundamental question: to what extent should a party that has invested time and effort in creating a unique design be compensated when another unjustly benefits from its work?

BACKGROUND FACTS

[2] The plaintiff, Naili Holdings Sdn Bhd, is a company engaged in the art and business of designing garments, particularly batik-style clothing. Recognising the value of its creation, it took steps to secure legal protection for its design, duly registering it under Industrial Design No MY20–00070–0101 on 31 January 2020. The design was not merely ornamental; it was the product of careful thought, intricate craftsmanship, and a desire to bring something novel to the marketplace. The plaintiff proceeded to commercialise this design under the name ‘Coral Orchid’, launching its sales in February 2020.

[3] Some months later, in September 2020, the defendant, Sabella Holding Sdn Bhd, a well-established garment manufacturer, introduced three clothing products, eerily similar to the plaintiff’s registered design. These garments, labeled as Cherry Floral, Navy Floral, and Yellow Floral, found their way into the marketplace, bearing the same artistic elements for which the plaintiff had sought protection. The defendant did not stop at mere production; it actively advertised, marketed, and sold these garments across multiple platforms, including online stores and social media.

[4] The plaintiff, upon discovering this, turned to the courts for redress. A full trial ensued, and on 10 October 2023, Justice Dato’ Mohd Radzi Harun ruled in favor of the plaintiff (see: *Naili Holdings Sdn Bhd v Sabella Holdings Sdn Bhd* [2025] MLJU 301 (HC)). In essence, my predecessor held that the defendant had infringed the plaintiff’s registered industrial design, thereby violating its exclusive rights. As a result, a permanent injunction was granted, forbidding the defendant from further use of the design.

[5] The plaintiff subsequently filed for assessment of damages in accordance with a notice issued under O 37 r 1 of the Rules of Court 2012 (‘the Rules’), wherein they sought the sum of RM1,908,000 which includes general damages as well as aggravated and exemplary damages. This is based on para (iv) of my predecessor’s judgment which reads as follows:

iv. Satu siasatan ke atas gantirugi atau di atas pilihan plaintif, satu akaun keuntungan yang dibuat oleh defendan akibat pelanggaran Pendaftaran Reka Bentuk Perindustrian Malaysia No MY20–00070–0101 dan bayaran mana-mana jumlah yang mungkin didapati hasil siasatan tersebut kepada plaintif;

[6] Following an assessment of damages, I granted the total sum of RM209,293.65 along with assessment costs of RM8,000, in favor of the plaintiff. My decision encompasses the following:

- (a) general damages in the sum of RM59,293.65;
- (b) aggravated damages in the sum of RM50,000; and

- A (c) exemplary damages in the sum of RM100,000.

[7] In addition to the foregoing, the plaintiff proposed, and the defendant agreed, to the sum of RM20,000 as costs for the full trial of the main claim. Accordingly, this amount is recorded as such, in addition to the RM20,000 previously awarded by my predecessor for the dismissal of the defendant's counterclaim.

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- C [8] Essentially, the defendant, vide their notice of appeal dated 25 November 2024, is appealing against my decision granting the aforesaid sum of RM209,293.65.

ISSUES

- D [9] The court is faced with three principal issues:
- (a) did the plaintiff prove actual loss of profit?
 - (b) how should compensation be calculated? and
 - (c) should aggravated and exemplary damages be awarded?

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COUNSELS' CONTENTIONS

The plaintiff's contentions

- F [10] Learned counsel for the plaintiff, Haris bin Md Nor, contends that substantial damages should be awarded to compensate for its financial loss, reputational harm, and the defendant's unjust enrichment.

G [11] Counsel argues that the defendant wrongfully appropriated the plaintiff's design in September 2020, producing and selling garments under the names Cherry Floral, Navy Floral, and Yellow Floral, without any permission or licensing from the plaintiff. It is claimed that the infringement had the effect of diluting the uniqueness of the plaintiff's design, allowing the defendant to unfairly compete in the same market space.

H [12] The claim for damages is premised upon the assertion that the defendant's sales directly impacted its revenue. Learned counsel for the plaintiff argued that had the defendant not sold the infringing garments, it would have enjoyed higher sales and profitability.

I [13] The plaintiff asserted that the defendant did not merely sell infringing products — it actively and extensively promoted them, thereby maximising its profits. It is argued that the defendant leveraged online platforms, including Shopee, Facebook, Instagram, and Carousell, to market its infringing

garments. Additionally, the defendant invested in billboard and radio advertisements, creating the perception that it was the legitimate owner of the design. This aggressive promotional effort, the plaintiff contended, magnified the damage caused, as it effectively pushed the plaintiff's product into obscurity.

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[14] In terms of actual loss, it is contended that the defendant sold approximately 24,000 infringing garments, which, if priced at RM159 per piece, amounted to a total revenue of RM3,816,000. The plaintiff however claimed 50% of this estimated revenue, amounting to RM1,908,000 as aggregate damages.

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[15] As to their entitlement to aggravated and exemplary damages, the plaintiff contended that ordinary compensatory damages were insufficient in this case, as the defendant's conduct warranted punitive measures. Aggravated damages were sought on the basis that the defendant's infringement was deliberate, systematic, and caused reputational harm. Whereas exemplary damages is argued to be justified to deter future infringements and prevent the defendant from treating infringement as a mere cost of doing business.

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The defendant's contentions

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[16] Learned counsel for the defendant, Azmer bin Md Saad, vigorously opposed the plaintiff's claim, challenging it on several grounds. To buttress this argument, the defendant asserted that the plaintiff had failed to establish a direct causal link between the alleged infringement and any financial loss suffered.

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[17] Rather, it is argued that the purported diversion of customers was purely speculative as the plaintiff failed to produce any sales records, financial statements, or customer data to show that its business was affected. The case of *Sambaga Valli a/p KR Ponnusamy v Datuk Bandar Kuala Lumpur & Ors and another appeal* [2018] 1 MLJ 784 (CA) is relied upon to argue that damages must be based on actual evidence, not mere assumptions.

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[18] The defendant highlighted that the plaintiff had been granted a discovery order but chose not to exercise it. To rebut the plaintiff's exaggerated claim, the defendant provided certified financial records showing that only 6,067 units of infringing garments were sold which resulted in a total revenue of RM395,291.

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[19] With respect to the question of aggravated and exemplary damages, the defendant categorically refuted allegations of malicious intent, asserting that it neither possessed nor acted with knowledge of the plaintiff's registered design

- A during the product's development phase. Furthermore, the defendant emphasised that upon identification of the potential infringement, it promptly and voluntarily ceased all sales activities as a demonstration of good faith. Regarding exemplary damages, the defendant contended that such remedies should be strictly reserved for instances of deliberate institutional oppression or
- B systemic wrongdoing — a threshold it argued remained unmet in this case, given the absence of any calculated malfeasance or egregious misconduct in its actions.

COURT'S FINDINGS

- C *Issue 1: Did the plaintiff prove actual loss of profit?*

- [20] It is a well-established legal principle that the assessment of damages follows one of two approaches: either by calculating the profits earned by the infringing party or by awarding compensation commensurate with the financial loss suffered by the plaintiff (see: *Dormeuil Frères SA v Feraglow Ltd* [1990] RPC 449 (HL)). In the context of industrial design infringement, s 35(1) of the Industrial Designs Act 1996 explicitly provides:
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- E 35 Remedies for infringement
(1) If the owner of a registered industrial design proves that an infringement has been committed or is being committed, the Court may *award damages or an account of profits* and may grant an injunction to prevent further infringement and any other legal remedies. (Emphasis added.)

- F [21] The typical principal head of damage would be the loss of business profits arising from the redirection of the plaintiff's customers to the defendant due to the infringement of the defendant (see: *Prince Manufacturing Inc and another v ABAC Corporation Australia Pty Ltd and another* (1984) 57 ALR 159; [1984] FCA 356; and *Guangdong Foodstuffs Import & Export (Group) Corp v Tung Fook Chinese Wine (1982) Co Ltd & Anor* [2000] 2 HKC 388 (HC)).
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- H [22] In *McGregor on Damages* (16th Ed), at paras 1947–1948 at pp 1261–1262, it is observed as follows:

- I Little attention has been given to the assessment of damages despite the many cases of passing off in the reports. *Spalding v Gamage* and *Draper v Trist* are the only cases of importance. The principal head of damage is the loss of business profits caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation; beyond this, damages may be awarded for any loss of business goodwill and reputation resulting from the passing off. Damages under both these heads were held to be properly awarded in *Spalding v Gamage* (1918) 35 RPC 101 (CA) a result which has never since been doubted. *Draper v Trist* (1939) 3 All ER 513 (CA) dealt with a more complex situation where the defendant had passed off goods by selling them to middlemen, and there was no evidence that the

middlemen resold. In these circumstances it was held that the plaintiff's loss of profits could not be a relevant consideration in assessing the loss but that the plaintiff was entitled to damages by reason of the presence of the deceptive goods on the market, damages which included a sum for loss of reputation. Also, the plaintiff should be able to recover for further loss of profits through reduction of his prices, provided that the reduction is necessary to compete with the goods passed off by the Defendant.

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[23] The burden is on the plaintiff to prove the loss actually sustained by reason of the defendant's conduct. Damages for the infringement of intellectual property rights are tortious in nature; with the objective to restore the plaintiff to the position he would have been in had the defendant not infringed (see: *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* [1975] WLR 819 (HL)). In the case of *Spalding (AG) & Bros v AW Gamage Ltd and Benetfink & Co Ltd* [1915] 32 RPC 273 (HL), the plaintiff is entitled to 'such damages as naturally flow from their unlawful act, and that there is no artificial limitation in the case of a passing off action' (per Lord Parker of Waddington). It cannot also be presumed that the amount of goods sold by the defendant would have been sold by the plaintiff if not for the defendant's unlawful acts (see: *Leather Cloth Co v Hirschfield* (1865) LR 1 Eq 299 (Ch D)). Speculative and unproven damage are also excluded (see: *The United Horse-Shoe and Nail Co Ltd v Stewart* (1888) 5 RPC 260 (HL); and *Pneumatic Tyre Co Ltd v Puncture Proof Pneumatic Tyre Co Ltd* (1899) 16 RPC 209 (HC)).

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[24] In *Taiping Poly (M) Sdn Bhd v Wong Fook Tòh & Ors* [2011] MLJU 1523; [2011] 3 CLJ 837 (FC), the Federal Court held that the proper method of calculation for loss of business profit is based on the defendant's sales multiplied by the defendant's profit margin. This method is as expounded by the Court of Appeal in the case of *Wembley Gypsum Products Sdn Bhd v MST Industrial Systems Sdn Bhd* [2007] 7 MLJ 193; [2007] 2 MLRA 274 (CA) wherein the damages for passing off was calculated based on the defendant's sales and defendant's profit margin.

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[25] The learned counsel for the plaintiff asserts that, had it not been for the defendant's infringement, the plaintiff would have enjoyed greater sales and market share. Plaintiff even went so far as to estimate that the defendant had sold 24,000 pieces, which, if sold at full price, would have generated RM3,816,000 in revenue. Yet, I am of the considered view that the evidence produced was unconvincing as it primarily relied on publically accessible online communications, which could well have been an attempt to exaggerate sales figures as part of a marketing strategy rather than a true reflection of actual transactions.

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- A [26] I agree with the defendant's submission that the plaintiff failed to produce evidence of sale in respect of the registered designs, its percentage progress of sales, profit before tax, and losses due to the infringed design. Furthermore, the plaintiff's assertion of entitlement to 50% of the sum of RM3,816,000 is entirely without foundation. The plaintiff's reliance on the
- B defendant's recommended sale price, social media account, and promotional video is, at best, tenuous and wholly insufficient in the absence of concrete sales figures. The court must adjudicate on the basis of evidence, not conjecture.
- C [27] It is imperative to note that the plaintiff had every opportunity to invoke the discovery process to obtain documentary proof of the defendant's actual sales and profit margins but elected not to do so. This omission is not merely unfortunate but a significant lapse. Where evidence is available but not pursued, the court cannot be expected to fill the evidentiary void with speculation.
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- E [28] Conversely, the defendant has presented sales figures verified by its appointed chartered accountant from Venturoso Corp Services Sdn Bhd, indicating that only 6,067 units of the infringing designs were sold, generating a total revenue of RM395,291. In the absence of any credible evidence to the contrary, these figures must be accepted as conclusive. The burden was on the plaintiff to challenge or disprove this evidence through proper means, yet no such effort was made. Accordingly, the court has no basis to disregard the defendant's professionally verified figures.
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- G [29] With regard to the defendant's reliance on s 35(3) of the Industrial Designs Act 1996 — namely, the contention that damages should be denied on the basis that they were unaware of the plaintiff's registered designs or had taken reasonable steps to ascertain their registration — I am of the considered view that this argument is belated and untenable in the present circumstances.
- H [30] A careful reading of s 35(3) makes it abundantly clear that the discretion to allow or refuse damages or an account of profits is to be exercised at the trial stage, not at the subsequent stage of assessing damages. For ease of reference, I reproduce the provision below:
- I 35.
..
(3) The Court may refuse to award damages, or to make an order for an account of profits, in respect of an infringement, if the defendant satisfies the Court —
- (a) that, at the time of the infringement, he was not aware that the industrial design was registered; and
 - (b) that he had, prior to that time, taken all reasonable steps to ascertain whether the industrial design had been registered.

[31] Based on the order dated 10 October 2023, it is patently clear that my learned predecessor had already made a determination ordering damages and an account of profits against the defendant. Any claim for exemption under s 35(3) ought to have been raised and adjudicated upon at the trial stage, and it is now far too late to revisit that issue at this juncture.

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Issue 2: How should compensation be calculated?

[32] Since actual lost profits have not been established, the law provides another route ie the notion of a fair royalty. This principle is established in the case of *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* where Lord Wilberforce (at pp 824–826) laid down as follows:

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- (a) if the plaintiff exploits the patent by manufacturing and selling goods at a profit and the effect of the infringement has been to divert sales to the defendant, the ‘measure of damages will ... normally be the profit which would have been realised by the owner of the patent if the sales had been made by him’;
- (b) if the plaintiff commercialises their rights via royalty-bearing licenses, ‘the measure of damages [the defendant] must pay will be the sums which he would have paid by way of royalty if, instead of acting illegally, he had acted legally’; and
- (c) in scenarios where neither a normative profit margin nor an established licensing regime exists, damages must be calibrated to reflect a hypothetically negotiated royalty rate — a sum a willing licensor and licensee would reasonably agree upon for the infringing acts.

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[33] Guided by this jurisprudential scaffold, the present case compels recourse to the third limb. The plaintiff, having failed to substantiate quantifiable profit losses and lacking any discernible practice of royalty-based licensing, cannot anchor their claim to the first two categories. Consequently, the court must determine compensation through the prism of reasonableness: What sum would the parties have fairly bargained for, *ex ante*, to legitimise the defendant’s unauthorised exploitation of the design? This approach ensures restitution aligns with commercial realism, eschewing both speculative windfalls and undue leniency.

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[34] What, then, is a fair royalty? In this case, I have decided on the figure of 15% of the defendant’s revenue as an appropriate measure. I believe that the same is a fair estimation of compensation is grounded in a balanced synthesis of equitable principles and pragmatic commercial reasoning. Given the defendant’s documented revenue of RM395,291 from the sale of 6,067 infringing garments, the 15% benchmark aligns with the jurisprudential mandate to approximate a hypothetical licensing agreement that fairly balances

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- A the interests of both parties. This percentage neither penalises the defendant excessively nor trivialises the plaintiff's intellectual property rights, reflecting a judicious middle ground that acknowledges the inherent value of the design while respecting the defendant's actual commercial gains.
- B [35] I also believe that the rate accounts for industry norms, where royalty percentages for design or patent licensing often range between 10% and 20%, depending on factors such as market demand, profit margins, and the uniqueness of the protected work. By anchoring the calculation to the defendant's actual revenue — rather than the plaintiff's speculative projections — the court ensures proportionality and transparency. The resultant sum of RM59,293.65 (15% of RM395,291) thus serves as a rational and restorative measure, compensating the plaintiff for the unauthorised exploitation of their design while adhering to the evidentiary constraints of the case.
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- D *Issue 3: Should aggravated and exemplary damages be awarded?*
- Aggravated damages
- E [36] In *Messenger Newspapers Group Ltd v National Graphical Association* [1984] IRLR 397 (CA), the English Court of Appeal was directly faced with the question of whether an award of aggravated damages was appropriate to a corporate claimant. The case was one on unlawful interference with business, nuisance (both private and public) and intimidation. Caulfield J stated:
- F Certainly exemplary and aggravated damages can be awarded against inanimate legal entities like limited companies, and I cannot see any reason why the same legal entities cannot be awarded aggravated and exemplary damages.
- G [37] He thus ruled in favour of an award, having regard to the fact that it was companies generally — though not invariably — that were the sort of claimants that suffered damage from intimidation by trade unions and — invariably — unlawful interference with business.
- H [38] In addition, Caulfield J pointed to the fact that the defendant was reckless in pursuit of its intentions to close down the claimant's business and/or enforce a closed shop, and this it did in defiance of court orders and with open arrogance. In calculating the aggravated amount due, Caulfield J approached the question of quantum from the perspective of 'the manner of the doing of the injury' and proceeded to award £10,000 in aggravated damages but not without first having 'eliminated human feelings' from his award thus supporting the argument that corporations do not have feelings.
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- [39] There is nevertheless a conflicting English Court of Appeal decision in *Eaton Mansions (Westminster) Ltd v Stinger Compania de Inversion SA* [2013]

EWCA Civ 1308 (CA) which held that a company could not recover aggravated damages. In doing so the court held that *Messenger Newspapers Group Ltd v National Graphical Association* had, in this regard, been wrongly decided (see also: *Collins Stewart Limited and another v The Financial Times Limited* [2005] EWHC 262 (QB) (HC)).

[40] While injured feelings represent one aspect of aggravated damages, the critical determinant is whether the injury was exacerbated by malice, insolence, or an egregious manner of execution. The facts before this court reveal that the defendant not only infringed the plaintiff's registered industrial design but did so deliberately, persistently, and without remorse. Despite being aware of the plaintiff's design rights, the defendant proceeded to market, advertise, and profit from the infringing product on a large scale, leveraging social media, e-commerce platforms, and physical advertising to maximise sales.

[41] Hence, applying the approach of the English Court of Appeal in *Messenger Newspapers Group Ltd v National Graphical Association*, I am of the view that the plaintiff herein is entitled to aggravated damages to reflect the added injury caused by malicious or high-handed behavior. An award of RM50,000 is, in my view, commensurate with the severity of the injury suffered.

Exemplary damages

[42] The principles governing the award of exemplary damages were articulated by Lord Devlin in *Rookes v Barnard* [1964] 1 All ER 367 (HL), where he identified two distinct categories of cases in which such damages may be granted:

- (a) oppressive, arbitrary or unconstitutional action by the servants of the government; and
- (b) cases where defendant's conduct had been calculated by him to make a profit for himself which may well exceed the compensation payable to the plaintiff.

[43] The plaintiff's claim for exemplary damages in the present case falls squarely within the second category. In *Rookes v Barnard*, Lord Devlin emphasised the necessity of demonstrating that the defendant's conduct was deliberately calculated to generate profit, holding:

- (ii)(a) English law recognised the awarding of exemplary damages, that is, damages whose object was to punish or deter and which were distinct from aggravated damages (whereby the motives and conduct of the defendant aggravating the injury to the plaintiff would be taken into account in assessing compensatory damages);

A and there were two categories of cases in which an award of exemplary damages could serve a useful purpose, viz, in the case of oppressive, arbitrary or unconstitutional action by the servants of the government, and in the case *where the defendant's conduct had been calculated by him to make a profit for himself, which might well exceed the compensation payable to the plaintiff.* (Emphasis added.)

B (p 369, letters B & C)

C [44] It is significant to note that the plaintiff need not establish that the defendants definitively profited from their wrongdoing. The language employed — ‘had been calculated’ and ‘might well exceed’ — suggests that the plaintiff’s burden is to demonstrate only the likelihood that the defendants could have benefitted from the tort.

D [45] Further, the following passage of Lord Devlin’s judgment in *Rookes v Barnard* is instructive as to the scope of the second category of cases under exemplary damages:

E Where a defendant with a cynical disregard for a plaintiff’s rights *has calculated* that the money to be made out of his wrongdoing *will probably exceed* the damages at risk, it is necessary for the law to show that it cannot be broken with impunity. *This category is not confined to moneymaking in the strict sense. It extends to cases in which the defendant is seeking to gain at the expense of the plaintiff* some object, — perhaps some property which he covets, — which either he could not obtain at all or not obtain except at a price greater than he wants to put down. Exemplary damages can properly be awarded whenever it is necessary to teach a wrongdoer that tort does not pay. (Emphasis added.)

F (p 410, letter I; and p 411, letter A)

G [46] First, the use of the phrases ‘has calculated’ and ‘will probably exceed’ emphasises that the plaintiff’s burden is to establish the likelihood of profit rather than proving its actual realisation. Secondly, the second category of cases is not limited to strict monetary gains. As Lord Devlin observed, it includes cases where the defendant sought to benefit in other ways, such as securing a commercial or competitive advantage by circumventing legal obligations.

H [47] In the context of intellectual property infringement, the assessment of damages often necessitates judicial estimation, as the precise losses suffered by the plaintiff may not be readily quantifiable. Courts have traditionally been cautious to ensure that damages do not become punitive, as tort law is remedial rather than retributive in nature.

I [48] However, modern jurisprudence has highlighted a growing concern — namely, that damage assessments in intellectual property cases frequently result in awards akin to a *de facto* compulsory license fee. This allows the infringer to

compensate at the lowest conceivable cost, effectively reducing intellectual property infringement to an economically viable risk rather than a legal deterrent. Such an approach threatens the very foundation of intellectual property rights, as it diminishes the owner's control over their own work and fails to reflect the true value of innovation and creativity. If the courts remain overly cautious in awarding substantial damages, they risk emboldening calculated infringement by failing to impose consequences proportionate to the wrongdoing.

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[49] It is precisely in such circumstances that exemplary damages serve a crucial function. Where an infringer has deliberately weighed the cost of infringement against the potential commercial gain — and where ordinary compensatory damages fail to capture the full gravity of the wrongdoing — the law must step in with decisive intervention.

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[50] In the present case, the defendant's actions were neither inadvertent nor a matter of oversight. Rather, they constituted a calculated and deliberate exploitation of the plaintiff's intellectual property for commercial gain. With vast resources and significant market reach at its disposal, the defendant had every opportunity to ensure that it did not infringe upon another's rights. Yet, it proceeded nonetheless, placing its own commercial objectives above the plaintiff's lawful entitlements. Moreover, the defendant's counterclaim, in which it sought to have the plaintiff's registered designs expunged, further underscores its deliberate course of action. Rather than merely defending against the plaintiff's claims, the defendant actively sought to invalidate the plaintiff's intellectual property rights, reinforcing the view that its actions were not only intentional but also aimed at eliminating any obstacle to its commercial objectives.

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[51] The principle must be upheld that those who seek to profit from another's innovation cannot do so with impunity. Intellectual property rights must not be rendered meaningless by allowing infringers to merely absorb the consequences as a negligible expense. To prevent the systemic exploitation of intellectual property and to ensure that infringement is not simply treated as a 'cost of doing business,' the court must intervene decisively. To reflect the egregious nature of the defendant's conduct and to deter future infringements of this kind, an award of RM100,000 in exemplary damages is imposed.

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DECISION

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[52] Taking all these matters into careful consideration, I have ordered that the defendant shall pay the plaintiff the sum of RM209,293.65 in damages, together with interest at the rate of 5% from 31 December 2020 until full

A realisation, and assessment costs amounting to RM8,000. For clarity, the element of damages encompasses the following:

- (a) general damages of RM59,293.65;
- (b) aggravated damages of RM50,000; and

B (c) exemplary damages of RM100,000.

C [53] As for the costs of the main action, it was noted that RM20,000 had previously been awarded for the dismissal of the defendant's counterclaim. However, no costs had been awarded in respect of the plaintiff's main claim. By mutual agreement of the parties, an additional sum of RM20,000 is deemed reasonable to cover the costs of the main claim and is accordingly ordered by this court.

D *Order accordingly.*

Reported by K Selvaraju

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